

MONTHLY REVENUE REPORT

October 2003

Revenue collected in October from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$2.24 billion, which represented an increase of 15.0% from last year's level. Most of this increase, however, was due to the one-time boost in State education property tax revenue that was generated by the new earlier due date for this tax. Adjusting tax collections to exclude the one-time boost in State education property tax collections reveals that tax collections were up an estimated 2.3% in October. This adjusted increase in October tax collections was due primarily to increases in the revenue collected through the sales, use, and insurance taxes, along with the State education property tax excluding the accelerated collections. These increases in tax collections more than offset declines in the single business, estate, and tobacco taxes.

Under Generally Accepted Accounting Principles (GAAP), most of October's tax collections will be accrued back to FY 2002-03, which ended September 30, 2003. October revenues will be accrued if the liabilities for these payments were incurred before the end of FY 2002-03. Therefore, based on FY 2002-03 collections to date, which include cash collections from November 2002 through October 2003, revenues from these major taxes are up 1.0%. Final revenue for FY 2002-03 will be determined when all accruals and book-closing adjustments are made, which is scheduled to be completed sometime in December.

Net income tax collections totaled \$526 million in October, which was unchanged from the year-ago level. Gross collections (withholding, estimated, and annual income tax payments) were up 2.8%, despite the fact that the tax rate is currently 0.1 percentage point lower than it was last year at this time. This marks the first time in the past eight months that gross income tax collections have topped the year-ago level. October income tax collections benefitted from the bonuses paid to auto workers as part of their new contracts with the auto companies. This increase in gross collections in October, however, was offset by an increase in the amount of refunds paid to taxpayers for past overpayments of the income tax. Based on cash collections from November 2002 to October 2003, net income tax collections were down 5.5%.

Sales tax collections totaled \$561 million in October, which was up 1.8% from last year's level. This increase followed three consecutive monthly declines in sales tax collections. Sale tax collections from motor vehicle transactions were down 8.6% in October, but the sales tax collected from all other taxable retail transactions was up 4.1%. Cash collections of sales tax revenue from November 2002 to October 2003 were up a slight 0.1%.

Single business tax collections totaled \$216 million, which was down 9.0% from last year's level. A quarterly return was due on October 31, and some of these quarterly payments will not be received until November. However, based on the collections during the first part of November, it does not appear that single business tax collections will increase enough in November to offset the decline that occurred in October. Based on cash collections from November 2002 through October 2003, cash collections from the single business tax were down 6.3%.

State education property tax collections totaled \$690 million in October, of which an estimated \$249 million was due to the one-time acceleration in collections resulting from the new due date. Once the accruals have been completed, it is estimated that this new due date will have generated \$449 million in one-time revenue in FY 2002-03. State education property tax cash collections to date total \$2.07 billion, which is up 27.5% from the year-ago level.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for October 2003, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revised consensus revenue estimates for FY 2002-03.

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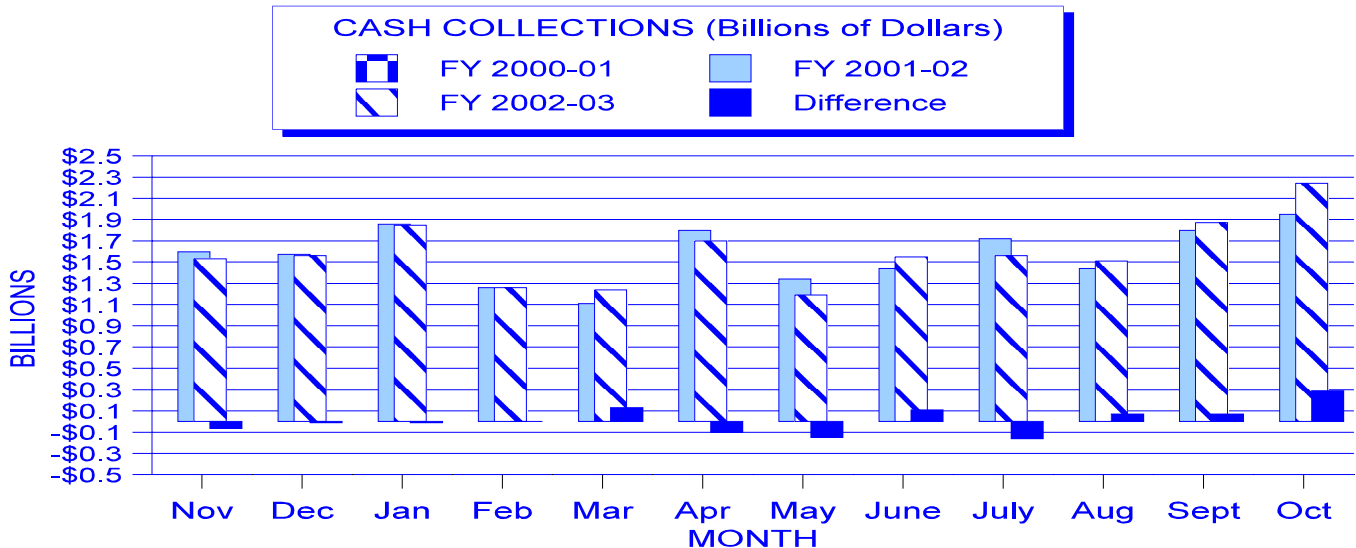


MICHIGAN REVENUE UPDATE
OCTOBER 2003
(dollars in millions)

Type of Revenue	October Collections		FY 2002-03 to Date ²⁾		FY 2002-03 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Gross Income Tax	\$ 563.2	2.8%	\$ 7,376.7	(2.5)%	\$ 7,364.5	(2.4)%
Refunds	(36.9)	72.4	(1,551.5)	10.6	(1,549.1)	7.0
Net Income Tax	\$ 526.3	0.0%	\$ 5,825.2	(5.5)%	\$ 5,815.4	(4.6)%
Sales Tax	561.1	1.8	6,421.9	0.1	6,417.1	(0.4)
Motor Vehicles	89.7	(8.6)	1,044.5	(2.5)	---	---
All Other Sales Tax	471.4	4.1	5,377.4	0.7	---	---
Use Tax	106.0	2.2	1,234.4	(5.2)	1,230.5	(5.8)
Tobacco Taxes	73.3	(3.4)	889.8	36.8	890.1	32.9
Single Business Tax	216.1	(9.0)	1,865.5	(6.3)	1,842.6	(7.1)
Insurance Tax	29.1	18.8	234.3	9.4	233.8	3.0
State Education Property Tax	690.3	76.3	2,074.8	27.5	2,092.2	32.1
Real Estate Transfer Tax	26.7	26.5	263.1	3.6	260.0	2.7
Estate/Inheritance Tax	6.6	(40.0)	102.7	(23.9)	102.3	(21.9)
Casino Gaming Tax	0.4	0.0	91.0	(0.2)	91.0	(1.0)
Oil & Gas Severance Tax	3.5	(10.3)	53.6	62.4	57.0	85.7
Total	\$2,239.4	15.0%	\$19,056.3	1.0%	\$19,032.0	1.2%
Addendum:						
Gross Lottery Sales ⁴⁾	\$154.9	23.8%	\$1,681.5	(0.4)%	\$1,677.1	(0.6)%
Net to School Aid Fund ⁴⁾	\$ 54.0	16.3%	\$ 584.5	(5.4)%	\$ 587.0	(4.3)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2002-03 year-to-date collections begin with November 2002 collections to reflect accrual accounting.
- 3) Revenue estimates adopted at the October 14, 2003, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2002-03 lottery revenue includes October 2002 to September 2003.

Actual Revenue Collections for Major State Taxes*
November 2001 to October 2003



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.